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## **INTRODUCTION**

The Jackson County Friend of the Court (FOC) had a contract with the Michigan Family Independence Agency (FIA) to enforce all orders of support over which the Jackson County FOC had jurisdiction, to locate absent parents, and to provide certain reports on child support collections to the FIA. Jackson County FOC billed FIA monthly under the actual cost reimbursement billing method. FIA reimbursed Jackson County for their costs based on the Federal IV-D Program regulations.

## **SCOPE**

We performed an audit of the costs submitted for reimbursement by the Jackson County FOC for the period October 1, 1999 through September 30, 2000. We performed the audit tests that we determined were necessary to determine if the costs charged were proper, accurate, documented, and charged in accordance with the terms of the contract.

## **EXECUTIVE SUMMARY**

We found that the Jackson County FOC overbilled the FIA for some line items. The State share of the net amount overbilled was \$41,255. (See Schedule A.) We also found that the Jackson County FOC did not comply with the escheat policy outlined in FOC letter 99-025.

Our report recommends the Family Independence Services Administration initiate the process to recoup \$41,255 from the Jackson County FOC.

Our report also recommends that Jackson County FOC comply with the escheat policy as outlined in the FOC letter.

## **FOC RESPONSE**

The Jackson County FOC did not respond to our draft audit report.

## **FINDINGS**

### **Personnel - Workers Compensation**

1. The Jackson County FOC overbilled the FIA \$4,797.00 for workers compensation. The billed workers compensation was at a higher rate of contribution than the rate of contribution specified in the insurance company's rate classification plan. (See Schedule A.)

### **Personnel – Social Security Tax**

2. The Jackson County FOC overbilled the FIA \$2,745 for social security tax. The social security tax computation included salaries that were for the Medical Support Contract. The actual computed social security tax was less than the billed amount (See Schedule A.)

### **Personnel – Self-Insured Workers Compensation.**

3. Jackson County FOC overbilled FIA \$48,329 for self-insured workers compensation. Jackson County did not provide the detailed analysis as required by The Federal Office of Management and Budget Circular No. A-87, Attachment C, Section G, 2 for maintaining the retained earning balance of \$1,185,219.00 for self-insured workers compensation. We allowed a 2 ½ month reserve balance for self-insured workers compensation in computing the overbilled amount. Circular A-87 limits the reserves in an internal service fund to seventy- five days of working capital. (See Schedule A.)

#### Personnel – Unemployment Insurance Cost

4. Jackson County FOC overbilled the FIA \$2,357.00 for unemployment insurance cost of a former employee. According to OMB Circular A-87, actual claims paid to or on behalf of employees or former employees for unemployment compensation and similar employees' benefits must be allocated as a general administrative expense. The direct charge is disallowed. (See Schedule A.)

#### Escheating of Outstanding Checks.

5. Jackson County FOC did not escheat \$177,282 to the State of Michigan for outstanding checks dated back to 1990. Jackson County FOC had two bank accounts, one currently in operation and one that has been inactive for over seven years. Jackson County FOC had outstanding checks totaling \$13,623.00 in the inactive account, and \$163,659.00 dating back to 1990 in the current bank account. All outstanding checks dated prior to June 30, 2001 should be escheated to the State of Michigan.

WE RECOMMEND the Family Independence Services Administration initiate the process to recoup \$41,255 from the Jackson County FOC.

WE ALSO RECOMMEND the Family Independence Services Administration ensure that the Jackson County FOC escheats \$177,282 to the State of Michigan.

Finding #	Line Item	Audit Period	(Over)/Under Billed Gross Amount	IV-D %	(Over)/Under Billed IV-D Amount	State %	Due (State) County
1	Personnel	10/1/99-9/30/00	\$ (4,885)	98.20%	\$ (4,797)		
2	Personnel	10/1/99-9/30/00	\$ (2,795)	98.20%	\$ (2,745)		
3	Personnel	10/1/99-9/30/00	\$ (49,215)	98.20%	\$ (48,329)		
4	Personnel	10/1/99-9/30/00	\$ (2,400)	98.20%	\$ (2,357)		
<b>Grand Total of the IV-D Audit Adjustments</b>					<u>\$ (58,228)</u>		
Calculation of the Payment Due the (State) County Audited IV-D Amount					<u>\$ (58,228)</u>		
					<u>\$ (58,228)</u>	70.85%	\$ <u>(41,254)</u>